



Organización Internacional del Café
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Projects/Common Fund

Executive Board/
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Sustainable coffee production by smallholder farmers in Ethiopia: An integrated approach for quality improvement, poverty reduction and biodiversity conservation

Project proposal

Background

1. The present document has been submitted by the Ethiopian Coffee Forest Forum with the support of the Ethiopian Government, and contains the summary of a project proposal designed to improve the quality of coffee, marketing and management of the coffee production systems in Ethiopia by:

- (a) promoting access to credit and banking services by smallholders;
- (b) building the capacity of different stakeholders and producers;
- (c) recognizing best performing farmers, development agents and technicians;
- (d) further improving market chain and income gain from coffee sales;
- (e) promoting quality coffee produced through project intervention; and
- (f) conducting research activities to support product quality improvement together with local and international institutions.

2. The proposal has been sent to the Virtual Screening Committee (VSC) for evaluation and will be examined by the Executive Board in September 2008.

Action

The Executive Board is requested to consider this proposal together with the recommendations of the VSC and, if appropriate, to recommend approval by the Council.

PROJECT SUMMARY

- 1. Project title:** Sustainable coffee production by smallholder farmers in Ethiopia: an integrated approach for quality improvement, poverty reduction and biodiversity conservation
- 2. Duration:** 5 years
- 3. Location:** In nine districts of Jimma and Illubabor Zones of Oromia National Regional State, Ethiopia
- 4. Nature of project:** This proposal builds on the lessons learned from the pilot phase of the project on improving coffee quality implemented in Ethiopia and Rwanda, and the wild coffee conservation and use project in its centre of origin. The positive outcomes of the project will be scaled up in two major coffee growing areas of Ethiopia (Jimma and Illubabor), where there is also wild coffee in mountain rainforests. In this regard, the project aims at enhancing coffee quality, marketing and access to loans, thereby contributing to improving the livelihoods of the smallholder coffee farmers and the conservation of the wild populations of coffee. With regard to sustainability, the project will develop a sustainable loan guarantee scheme and efficient loan recovery systems.
- 5. Brief description:** A three-year pilot project on improving coffee quality in East and Central Africa through enhanced primary processing practices was launched in Ethiopia and Rwanda in July 2004 with funding from the Common Fund for Commodities (CFC) and co-financing from Illycaffè. The purpose of the project was to improve the quality of coffee in Ethiopia and Rwanda.

The pilot project has been effective to a great extent, although improvement in the organization and more efficient management is required in planning a thoroughly successful second phase of scaling-up of the project in Ethiopia. The experience gained has shown a number of key points that need to be worked on and the need to consider changes in the overall management scheme. The two major changes which are necessary to ensure a sound

foundation for the second phase are: (1) the ownership of the whole project has to be fully Ethiopian, and (2) the scale-up phase should be based on a concept of economic self-sustainability, because the scale-up process is supposed to continue even after the termination of this second phase. For this purpose it is of great importance that the farmers involved should be treated as small-scale investors and that a local financing institution should devise an appropriate loan scheme to let them access the necessary funds.

Another project has been carrying out research on conservation and sustainable use of the wild populations of coffee and the coffee forests in Ethiopia since 2002. The results of this project revealed that conservation of coffee genetic resources at the centre of origin can only be achieved through sustainable use. In order to achieve this, different incentives like supporting farmers to produce quality coffee and access to premium markets with differential price for the quality and contribution to conservation are essential. In addition, hotspot areas where efforts have to be made to conserve and use coffee genetic resources through establishment of coffee biosphere reserves and associated development zones have been identified.

6. Estimated total cost:	US\$4,693,659
7. Financing sought from the Fund:	US\$2,961,173
8. Mode of financing:	Grant
9. Co-financing (Illycafé):	US\$378,999
10. Mode of co-financing:	Contribution in cash
11. Counterpart contribution:	US\$399,498
12. Loan from local banks:	US\$953,989

13. Project

Executing agency (PEA): Ethiopian Coffee Forest Forum

14. Partner institutions:

Ministry of Agriculture and Rural Development, Oromia
Bureau of Agriculture and Rural Development, and
Illycaffè SPA

15. Supervisory body:

International Coffee Organization (ICO)

16. Estimated starting date:

1 January 2009

LOGICAL FRAMEWORK

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
<p>Programme goal: To improve the quality of coffee, marketing and management of the coffee production systems in Ethiopia</p>	<ul style="list-style-type: none"> ▪ All project farmers produce high quality coffee and earn premium prices ▪ Producer-exporter linkage established and functioning ▪ Major financing institutions provide financial services to smallholder coffee farmers ▪ Coffee production system managed sustainably and environmentally-friendly ▪ Alternative income sources identified 	<ul style="list-style-type: none"> ▪ Project annual reports ▪ Impact assessment reports ▪ ICO reports ▪ Field observation ▪ Trade and financial data 	<ul style="list-style-type: none"> ▪ Socio-economic stability prevails ▪ Supportive policy ▪ Strong commitment by local authorities
<p>Project Purpose:</p> <ul style="list-style-type: none"> (a) To promote access to credit and banking services by smallholders (b) To build the capacity of different stakeholders and producers (c) To recognize best performing farmers, development agents and technicians (d) To improve market chain and income gain from coffee sales (e) To promote quality coffee produced through project intervention (f) To conduct research activities to support product quality improvement 	<ul style="list-style-type: none"> ▪ Coffee quality improved and recognized ▪ Increased value of financial services to coffee production ▪ Coffee processing technology widely adopted ▪ Producer-exporter linkage established ▪ Increased farmgate price/premium ▪ Recommendations of research findings adopted 	<ul style="list-style-type: none"> ▪ Quality control and product grade records ▪ Survey data on farmgate prices ▪ Project annual reports ▪ ICO reports ▪ Mid-term evaluation ▪ Research papers 	<ul style="list-style-type: none"> ▪ World coffee market remains stable or improves ▪ Consumers willing to pay for superior quality coffee ▪ Commitment of the farmers and other stakeholders sustained ▪ Financial institutions willing to support product targeted interventions
<p>Outputs:</p> <ul style="list-style-type: none"> (a) Appropriate credit and banking services established (b) Skills on dry and pulped coffee processing developed (c) Quality work rewarded (d) Market links and market information exchange in place (e) Pulped coffee recognized by Coffee Liquoring Unit (CLU), and exporters (f) Findings of research support quality improvement 	<ul style="list-style-type: none"> ▪ Loan guarantee system developed and agreed ▪ Direct producer-exporter link established ▪ Increased proportion of coffee attracts premium price ▪ Increased proportion of farmgate price as compared to export price ▪ Quality standard of pulped coffee (PC) recognized 	<ul style="list-style-type: none"> ▪ Annual reports ▪ Periodic reports and field visits 	<p>Same as above</p>
<p>Inputs:</p> <ul style="list-style-type: none"> (a) Loan available from financial institutions for investment in coffee quality improvement and production management (b) Public private partnership (PPP) establishment-marketing (c) Coffee processing equipment and skills (d) Coffee storage - warehouses (e) Technical assistance and training to farmers, technicians, development agents (DAs), exporters and CLU (f) Technical training to banks and participating institutions 	<p>Component 1 (US\$1,184,988) Establishment Component 2 (US\$967,365) Investment Component 3 (US\$1,349,980) Capacity Component 4 (US\$38,700) Competition Component 5 (US\$150,000) Marketing Component 6 (US\$165,000) Dissemination Component 7 (US\$172,500) Research Component 8 (US\$ 665,126) Operational Costs</p>	<ul style="list-style-type: none"> ▪ Annual activity report ▪ Annual audit report ▪ Workshop ▪ End of project report 	<p>Same as above</p>